

Health Insurance Reform

DAILY MYTHBUSTER: A \$3,800 Tax on People Who Don't Purchase Insurance?

Health insurance reform opponents continue to spread myths about components of [America's Affordable Health Choices Act](#).

Myth: *The House bill will tax you \$3,800 for not buying health insurance.*

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Fact: □ In the House bill, the small percentage of Americans who would choose a penalty over purchasing affordable health insurance would owe a penalty based completely upon their income and ability to pay – with most families paying less than \$1,100.

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All insured Americans currently pay for health care for the 46 million people who have no insurance. □ In fact, the average insured American family of four pays almost \$1,100 a year to cover the costs of those who go without insurance—either by necessity or by choice. □

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As President Obama pointed out last night: “Even if we provide affordable options, there may be those ... who still want to take the risk and go without coverage.... The problem is, such irresponsible behavior costs all the rest of us money. If there are affordable options and people still don’t sign up for health insurance, it means we pay for those people’s expensive emergency room visits.”

The best way to curb rising health costs is to insure more Americans. In fact, it’s the only way insurance reform works. Only with a bigger risk pool can the benefits of no discrimination for pre-existing conditions, no waiting periods, and no prices based on health status be enjoyed by all.

The House bill makes this idea of shared responsibility work by making affordable insurance available to all, offering small businesses exemptions and tax credits, and offering Americans affordability credits based on income to help pay their premiums.

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For those holdouts who still decide not to buy affordable insurance, just as car insurance works, the House bill sets a fair penalty based on income. The bottom line is that few Americans are likely pay to NOT have affordable insurance, instead of pay to be insured (with assistance based on income).

Under the House bill, for those who simply can't afford to pay, they can apply for a hardship waiver. The penalty is capped at the national average premium for coverage on the Health Insurance Exchange. The penalty also does not apply if a person's income is below the thresholds for filing a federal income tax return (the thresholds for a single individual in 2009 is \$9,350, and for married filing a joint return is \$17,900). The penalty is 2.5 percent of income above these filing thresholds.

In order to keep the rest of us from paying for the health care of those who would rather pay a penalty than purchase affordable health insurance, here's how it would work:

- **An individual with no children has income of \$100,000 and does not purchase affordable health coverage**. Assuming the individual does not qualify for a hardship exception, the individual would pay a penalty of \$2,266.

- **Spouses with 2 children have income of \$50,000 and do not purchase affordable health coverage for themselves or the children**. Assuming that the family does not qualify for a hardship exception, the family would pay a penalty of \$803.

- **An individual with no children has income of \$30,000 and does not purchase affordable health coverage**. Assuming the individual does not qualify for a hardship exception, the individual would pay a penalty of \$516.